

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, August 23, 1938, at 10:30 a.m.

PRESENT: Mr. Ransom, Vice Chairman  
Mr. Szymczak  
Mr. McKee  
Mr. Davis  
Mr. Draper

Mr. Morrill, Secretary  
Mr. Carpenter, Assistant Secretary  
Mr. Thurston, Special Assistant to the  
Chairman  
Mr. Paulger, Chief of the Division of  
Examinations  
Mr. Leonard, Assistant Chief of the  
Division of Examinations  
Mr. Cagle, Assistant Chief of the  
Division of Examinations  
Mr. Dreibelbis, Assistant General Counsel  
Mr. Wingfield, Assistant General Counsel

Mr. Morrill presented a memorandum which he had prepared for the files setting forth the recent developments in connection with the closing of the Havana Agency of the Federal Reserve Bank of Atlanta. The memorandum read as follows:

"This morning Mr. Briggs of the State Department called me on the telephone and told me that Saturday there had been brought to the attention of the State Department by the Cuban Ambassador a report that rumors were afloat in Havana to the effect that the Havana Agency of the Federal Reserve Bank of Atlanta was about to be closed and that inferences were being drawn that the closing of the agency reflected in some degree a lack of confidence on the part of the American Government in Cuba. Mr. Briggs said that the matter had been considered by Secretary of State Hull who had been informed as to the position taken by the Federal Reserve Bank of Atlanta and the Board of Governors of the Federal Reserve System and who had decided that in view of the reasons for that decision, which were based upon the small amount of activity on the part of the agency and

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"the heavy expense involved in its continuance, he would not be justified in making any representations to the Board of Governors in regard to the continuance of the agency. Mr. Briggs said that Secretary Hull, however, felt that in view of the nature of the rumors it would be very desirable if an official statement could be given out by the Board of Governors regarding the closing of the Havana Agency and the facts as to the reasons therefor.

"I told Mr. Briggs that, in anticipation of the possibility that it would become desirable to give out such a statement, the Federal Reserve Bank of Atlanta had drafted a proposed release which we had received for consideration, but that we had been holding it in abeyance because of the fact that the Federal Reserve Bank of Atlanta had sent letters to the American banks and to the Secretary of the Treasury of Cuba and had received indications of a desire that no publicity be given to the matter pending a consideration on their part of making representations to the Federal Reserve Bank of Atlanta concerning the matter. I told him that I did not have the copy before me at the moment, but that I would be glad to call him up later and read the draft of the statement and receive any suggestions that the State Department might wish to offer pending a determination as to its release. Mr. Briggs said that they would welcome an opportunity to read the statement before its release. Following this conversation I discussed the matter with Mr. Thurston and together we redrafted the release as it had been drawn by the Atlanta bank.

"I then called Mr. Robert S. Parker on the long distance telephone and told him about my conversation with the State Department. He said that at the time of my call he was just about to put in the mails a letter to the Board transmitting a copy of a resolution, of which he had been advised by Mr. Frazer, the agency manager in Havana, which had been sent to the Federal Reserve Bank of Atlanta by the Clearing House Association of Havana. Mr. Parker said that the resolution was in effect a request for the continuance of the agency until the end of this year, but that it contained no indications of any enlarged services that might be expected of the Havana Agency in the meantime.

"Mr. Parker said that he had talked over long distance telephone with Mr. Frazer yesterday, that Mr. Frazer had advised him that the delivery of the letter had come as a surprise to both the banks and the Secretary of the Treasury of Cuba and that the Cuban Treasury had sent a copy of the letter to the Cuban Ambassador in Washington, that none of the recipients of the letter desired any publicity at this time,

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"but on the contrary desired that there be no publicity pending the consideration of the course that they should take. Mr. Parker said that he felt from his conversation with Mr. Frazer that there were no rumors afloat in Havana of the kind which had been referred to by the State Department. He said that Mr. Frazer speaks Spanish fluently, has become so much a part of the business and social life of Havana that he is accepted by many of the people of Havana as a native, and that therefore he is in a peculiar position to know what is going on.

"I read to Mr. Parker a revised draft of the release which Mr. Thurston and I had prepared, and he approved it immediately stating that he believed it better than the one which he had submitted to us, and that he had no objections to our submitting it informally to the State Department for suggestions. He also said that he felt it would be desirable if and when the statement was released to have it come out in Washington as had been suggested by the State Department."

The revised draft of the press statement referred to in the memorandum was in the following form:

"In view of the fact that the purposes for which the Havana, Cuba, Agency of the Federal Reserve Bank of Atlanta was established have been served and there is no longer substantial reason for continuing the operation of the agency, the directors of the Federal Reserve Bank of Atlanta, with the approval of the Board of Governors of the Federal Reserve System, have directed that the agency be closed as soon as this can be accomplished in an orderly liquidation of its affairs.

"For several years there have been relatively few currency exchanges or other transactions effected by the agency, and only a few transfers of funds to and from Cuba have been made through the medium of the agency. Commercial transactions between business interests in Cuba and the United States have been consummated almost entirely through commercial bank channels. Accordingly, the maintenance of the agency for these purposes and for the exchange of currency has become unnecessary. Therefore, the directors of the bank have concluded that the expense to the Federal Reserve System incident to the continued operation of the agency is not justified.

Mr. Morrill supplemented the information contained in his



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memorandum with the statement that he had read the revised press release over the telephone this morning to Mr. Briggs of the State Department who had shown it to the Cuban Ambassador, that the latter had stated that he would be pleased if the statement were issued in that form, and that Mr. Briggs had said that the State Department was satisfied with the statement and hoped that it would be issued immediately.

Mr. Morrill then said that the questions before the Board were (1) when the statement would be released to the press, and (2) whether it would be under a Washington or Atlanta date line. During the discussion of the latter point, members of the Board expressed the opinion that a release by the Federal Reserve Bank at Atlanta would be consistent with the fact that it related to the operations of the Bank; that it would attract less attention than a release from Washington and therefore be less likely to be treated as reflecting an attitude of the Government towards Cuba, and, accordingly, that it would be preferable to have the statement made by the Federal Reserve Bank of Atlanta.

It was unanimously agreed that Mr. Morrill should call Mr. Briggs of the State Department and advise him that the Board would prefer to have the statement released by the Federal Reserve Bank of Atlanta for the reason that such a release would recognize the closing of the Havana Agency as an action of the Federal Reserve Bank of Atlanta and would be less likely to be interpreted as an official Government action.

In taking this action it was understood that, if the State Department and the Atlanta bank were agreeable to the release of the statement by the

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latter, it would be given to the press immediately, and Mr. Thurston would be at liberty to answer in such manner as he thought best any inquiries regarding the matter that might be made of him and to supplement the information contained in the press release to the extent that appeared to be necessary in the circumstances.

Reference was then made to the revised draft of form prepared by the Division of Examinations for use in the examination of trust departments of State member banks and as a part of the examination report form approved by the Board at the meeting on August 3, 1938. Copies of the draft had been furnished to the members of the Board prior to this meeting. During a statement by Mr. Paulger of the considerations which the Division of Examinations had had in mind in the preparation of the draft, the question was raised whether the proposed form called for a statement of the basis used in the determination of the cost of operating the trust department including overhead and other expenses chargeable to the department, and it was agreed that provision should be made for the development of such information. It was agreed also that the Division of Examinations might make also such minor changes of a perfecting nature as might be found desirable.

Mr. McKee moved that the revised draft, including the change suggested above, be approved by the Board with the understanding that the form will be distributed to the Federal reserve banks on the same basis as approved by the Board for the distribution of the examination report form approved at the meeting on August 3, 1938.

Carried unanimously.

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At this point Messrs. Thurston, Paulger, Leonard, Cagle, Dreibelbis and Wingfield left the meeting.

Thereupon the action stated with respect to each of the matters hereinafter referred to was taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on August 19, 1938, were approved unanimously.

Letter dated August 22, 1938, to Mr. Fletcher, Vice President of the Federal Reserve Bank of Cleveland, reading as follows:

"This refers to your letter of August 12, 1938, relating to the acquisition of a majority of the stock of The First National Bank of Delaware, Delaware, Ohio, by BancOhio Corporation.

"As you suggest, if BancOhio Corporation desires a voting permit covering such bank, it will be necessary for it to file a new application on the Board's Form P-1. However, in view of the fact that such corporation submitted a report of condition as of June 30, 1938, it appears that, if the application is filed in the near future and if no important changes have occurred since June 30 in the corporation's balance sheet other than those incident to the acquisition of stock of The First National Bank of Delaware, it should be sufficient for our purposes if the exhibits comply with the requirements outlined in the second and third paragraphs and the first sentence of the fourth paragraph of the Board's letter of September 16, 1937, which was inclosed with its letter of September 27, 1937 (S-33). In this connection, attention is directed to the fact that the information furnished in the exhibits should show the number of shares of stock of The First National Bank of Delaware owned by BancOhio Corporation, the cost of such stock to the corporation, the amount at which it is carried in the corporation's assets, the method of payment for the stock, and the changes which occurred in the corporation's capital stock, surplus, and any other balance sheet accounts in connection with the acquisition of such stock."

Approved unanimously.



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Telegram dated August 22, 1938, to Mr. R. B. Caldwell, Class "C" Director of the Federal Reserve Bank of Kansas City, reading as follows:

"Board of Governors has appointed you deputy chairman of Federal Reserve Bank of Kansas City for remainder of current year and will be pleased to have your acceptance."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Mowbray  
Secretary.

Approved:

Frank L. ...  
Vice Chairman.